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## **Glasgow Prestwick Airport**

Further to my appearance at the Infrastructure and Capital Investment Committee (ICIC) on 18 June 2014, I write to provide an update on recent activities to develop the business opportunities at Glasgow Prestwick Airport (GPA) and on the efforts being taken by the airport's management team to affect its strategic repositioning.

I also provide an update on a major recent development arising from the Department for Transport's (DfT) consultation on the creation of a UK based Spaceport.

### **1 Local Authority Engagement**

A meeting was held on Monday 25 August between South Ayrshire Council, Scottish Enterprise and Transport Scotland, to discuss how best to involve the Council and other interested bodies in the governance arrangements and future business development of GPA.

As a result of this engagement, an Operational group is being established now, to facilitate the development of a broad investment prospectus for the airport and, in the first instance, to support the development of a quality submission to the DfT to promote its Spaceport opportunities. Further background of the Spaceport opportunity is provided below. The initial work on the Spaceport submission would act as the pilot to develop the protocols and relationships to take this Group forward.

It was also agreed, following completion of the Spaceport submission, that an Airport and Aerospace Stakeholder Group be established by South Ayrshire council, which would support the economic development and regeneration of the airport and the wider aviation cluster. To ensure it is closely aligned and works in concert with GPA, it is proposed that the stakeholder Group is Chaired by the Leader of the Council, with the Non-Executive Chair of GPA being a member of the Group.

An initial meeting is planned for 28 October to establish some operating parameters and priorities for this group.

Further engagement is planned with the Local Authority to discuss other opportunities to capture their input in the development of GPA.

## **2. Working Capital**

At the Committee meeting in June I indicated that since acquisition we had provided £5.5m in the form of loan funding. This figure is now £7.5m as at 25<sup>th</sup> September.

The previously indicated projections of support required in the current year (2014/15) remain. Projections for the level of loan funding that will be required in 2015/16 were included in the draft budget that was published on 9 October.

## **3 Business Plan Development**

A Stage 2 business plan was developed in Spring 2014, which built on the earlier work prepared to inform the decision to acquire GPA. It sets out the longer term strategic options for future business development and repositioning at GPA. As I advised the ICIC, this business plan would benefit from further work, including the assessment of the likely impact of the reduction and possible eventual abolition of Air Passenger Duty (APD), a review of recent changes in the European Commission guidance on support to regional airports that might provide an opportunity to develop new routes at airports in Scotland and also to take into account Ryanair's reductions in services at GPA.

An assessment by Transport Analytical Services into the estimated impact of a 50% reduction in Air Passenger Duty (APD) has been completed. This analysis suggests that reducing APD by 50% on flights departing from Scotland will likely lead to relatively lower airline ticket prices and an annual increase in passenger numbers at Scottish terminals of just over 1 million each year. This would equate to an increase of 4.5% across Scotland's airports.

Further analysis has been commissioned to understand the likely effect on passenger numbers of the eventual abolition of APD, and how these changes would impact specifically on the passenger numbers at GPA.

As part of the Scottish Government's continued engagement with South Ayrshire Council, discussions are planned to review work that has been commissioned by them to identify possible route development opportunities at GPA. This work is due to be completed shortly and will consider the options for creating a local Route Development Fund, which could assist with the start-up of new routes from GPA.

## **4. Strategic Vision**

In parallel with the work being commissioned to develop the Stage 2 business plan, as detailed above, GPA's management team is working on the development of a Strategic Vision, which will be based upon it.



The Strategic Vision will set out the long term plans for the future of the airport, including investment plans, business development options and the optimum operating structure required to take the airport forward. The final Strategic Vision will be published by the end of October 2014.

## **5. Centre for International Disaster Relief**

Mr Jim Eadie MSP raised the proposal of one of his constituents for the creation of a centre for International Disaster Relief at GPA. In an earlier written response to Mr Eadie (29 March 2014), I noted the limitations of the Scottish Government's current powers and budget meant that we could not directly establish such a facility.

However, at the ICIC I noted that the work already completed on the business plan had recommended that this proposal was something that we can follow up and pursue with the relevant bodies. Contact will be established with these parties to progress this opportunity, including with the Disaster Emergency Committee, if appropriate.

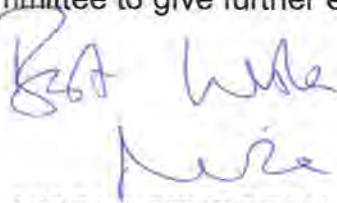
## **6. Major Development - Spaceport**

The Department for Transport (DfT) is undertaking a consultation to confirm the criteria to be used to select a preferred location for a UK based Spaceport. The initial criteria have identified eight potential aerodromes, Newquay in Cornwall, Llanbedr in Wales, and six in Scotland; Glasgow Prestwick, Stornoway, Kinloss, Lossiemouth, Leuchars, and Campbeltown.

Following the conclusion of this consultation period in October 2014, the DfT is expected to invite aerodromes to submit proposals for their consideration. It is planned that the spaceport will be built and become operational by 2018.

The GPA management team believe that this is a significant opportunity for the airport, and are pursuing it vigorously. A meeting took place on 23 July with GPA's management team, Transport Scotland and Scottish Government, to discuss the opportunities for GPA created by this project. GPA will now create a project team to develop their submission. This work will be supported by the Operational group, capturing the input and advice from South Ayrshire Council, Scottish Enterprise, local colleges and universities and other bodies with an interest in promoting this opportunity.

Finally, as discussed during my 18 June appearance before the Committee, I would intend to provide further regular updates to the Committee, either in writing or in person. I have agreed to appear again at the Committee to give further evidence on 12 November.



**NICOLA STURGEON**